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Includes PSD Changes: No
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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U.S. FARM BILL HITS MEXICAN GROWERS

A study conducted by the Inter-American Institute of Cooperation for the Agricultural States says that the adverse impact in Mexico due to the U.S. Farm Bill has been reflected in increased imports of products like corn, wheat, dry beans, pork and poultry meat. United States subsidies, promotion, financing and technology investments have displaced domestic production. If Mexico doesn't invest more in the agricultural sector, the displacement of Mexican products will be evident due to the asymmetries that Mexico has with the United States. (Source: *Reforma*, 5/10/04)

LIMITED SUBSIDIES PREVENT AGRICULTURAL COMPETITIVENESS

According to a local newspaper, one decade has not been enough to attenuate the asymmetry in productivity and competitiveness that exists between Mexico's agricultural sector and that of its NAFTA partners. According to an evaluation of the Analysis Economic Area of the newspaper "El Financiero," a wide difference persists in the supports to the sector. For example, in Mexico these supports are US\$91/per capita, while in the United States they are US\$317 and in Canada US\$192. These figures indicate that Mexico has increased its food dependence. In investment terms, a strong asymmetry also exists since for each dollar that Mexico invests in agriculture, the United States invests US\$14. (Source: *El Financiero*, 5/13/04)

PORK PRICES IN MEXICO ON THE INCREASE

According to a local newspaper, Carlos Ramayo, President of the Mexican Pork Council (PORCIMEX), said that prices of pork meat in the country have increased in the past two months, on average between 20 and 25 percent. He also added that the tendency of prices to increase would continue. The increase in pork prices, according to PORCIMEX, is a consequence of the increase of almost 70 percent since this past February of international prices of soybeans, the principal feed for swine. (Source: *Reforma*, 5/13/04)

U.S. PORK PRODUCERS CONTINUE TO FLOOD THE MEXICAN MARKET

According to a local newspaper, U.S. pork producers continue flooding the Mexican market with their products. Last March, U.S. exports represented twice the amount registered during the same period in 2003. In its monthly report for March 2004, the U.S. Department of Commerce established that Mexico imported 20,950 tons of pork meat, as opposed to 9,950 tons imported in March 2003. (Source: *Reforma*, 5/14/04)

MEXICAN CATTLEMEN DEMAND RESTRICTIONS ON BEEF IMPORTS

According to a local newspaper, the National Livestock Confederation (CNG) is requesting that the Mexican Congress apply restrictions on imports of beef and beef byproducts. After the recent closing of Mexican borders to live cattle, beef and beef byproducts because of the risk of BSE from Canada and the United States, it was clearly demonstrated by the national beef producers that domestic demand was fully covered with domestic production. (Source: *El Financiero*, 5/14/04)

MEXICO – U.S. SYMPOSIUM ON POULTRY

Poultry producer associations from Mexico and the United States agreed to work together on sanitary issues after Mexico closed its borders last February due to an avian influenza outbreak in several regions in the United States. During the symposium on poultry health and trade, there was information that the Mexican government will issue a regulation that compiles all import requirements for poultry, eggs and other animal products (HRZ). Both countries agreed to work together as a North American market and face the growing competition in the world trade market such as Brazil and China. (Sources: *La Jornada* and *El Financiero*, 5/13/04)

THE UNITED STATES CONTINUES RECEIVING SUPPLIERS' OPINION ON THE BIO-TERRORISM LAW

According to the Economy Secretariat (SE), the United States decided to continue receiving comments on the Bio-Terrorism Law. The objective of this decision is to measure the economic damages that were caused by the effect of this legislation. Therefore, May 14, 2004, will no longer be the due date to send comments. With this measure, the Food and Drug Administration (FDA) seeks to estimate the number of companies that stopped exporting to the United States because they could more easily hire an agent in the United States. (Source: *El Financiero*, 5/13/04)

MEXICO LINKED TO UNITED STATES' GROWTH

Mexico's economic dependence on the United States is a guarantee of its economic turnaround during 2004, but it is also a factor of restlessness. According to experts of Moodys and Fitch Ratings, Mexico can face the next increase in the U.S. interest rates without problems. (Source: *El Financiero*, 5/13/04)

OECD: MEXICO STILL HAMPERED TO GROW IN A SUSTAINED WAY

Specialists of the Organization for Economic Cooperation and Development (OECD) predicted that the Mexican economy will grow between 3.5-4 percent in 2004 and it should arrive at 4.2 percent in 2005, depending on the United States economic turnaround. These advances, however, won't significantly improve the employment rate or quality of life. The specialists pointed out that Mexico still does not have the proper conditions to grow steadily to higher percentages. (Source: *La Jornada*, 5/12/04)

TEXTILE INDUSTRY WINS WITH CAFTA

Rosendo Valles, President of the National Textile Industry Chamber, pointed out that the Free Trade Agreement that the United States will sign with Central American countries (CAFTA) represent an opportunity to export to this region 100 million square meters of Mexican textiles in the first year of the Agreement, quantities that represent double what is sold to Central American today. This benefit, he explained, will be possible because the textile

industry in that area is limited. Cotton, wool and synthetic fibers will be the fabrics that will enter without import duties to the Central American countries, which will later become clothing going to the United States. (Source: *Reforma*, 5/10/04)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX4059	Weekly Highlights & Hot Bites, Issue #18	5/12/04
MX4060	Cotton and Products Annual Report	5/13/04
MX4061	Coffee Annual Report	5/13/04
MX4062	Dairy and Products Semi Annual Report	5/14/04

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